

KENTUCKY TEACHERS' RETIREMENT SYSTEM

HB 1 – Pension Reform 2008 Special Session

House Bill 1 (Pension Reform) has been passed by the legislature and signed by Gov. Beshear. This legislation affects KTRS accounts that begin on or after July 1, 2008.

Listed below are two sections of Questions and Answers that explain the impact of legislative changes. The first section deals with the impact to members with un-refunded accounts established prior to July 1, 2008. The second section deals with the impact to members with accounts that begin on or after July 1, 2008. Please contact KTRS at 1-800-618-1687 or at www.ktrs.info.ky.gov if you have additional questions.

<p align="center">~ Section 1: Questions & Answers for KTRS Members <u>Hired Prior</u> to July 1, 2008 ~</p>

<p>1. Am I affected by the Pension Reform Legislation that is effective July 1, 2008?</p>
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<p>No. Members with un-refunded/non-retired accounts in KTRS or KRS that were established prior to July 1, 2008, are not affected by the changes listed in the Pension Reform legislation.</p>
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<p>2. Do the new limitations for unused sick days, unused annual leave and compensatory time in the retirement calculation apply to me?</p>
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<p>No. Members with un-refunded accounts that were established prior to July 1, 2008, are not affected by the changes listed in the Pension Reform legislation.</p>

<p>3. Can a retiree return-to-work with a KTRS employer?</p>

<p>Yes. The return-to-work programs are still available. However, a retiree who returns to work with a KTRS employer on or after July 1, 2008 will be subject to the new reduced retirement multipliers on their second account and will contribute one percentage point additional employee contribution to the Medical Insurance Fund.</p>
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**~ Section 2: Questions & Answers for KTRS
Members who are
Hired ON or After July 1, 2008 ~**

1. Who is affected by the Pension Reform legislation?

Those individuals who become members of KTRS on or after July 1, 2008 and have not previously established an active KRS account prior to 7/1/2008 will be affected. This will include newly hired individuals, retirees who return-to-work after July 1, 2008 who do not waive their retirement, and former KTRS members with refunded accounts who are hired after July 1, 2008.

2. What retirement factors will be used to calculate the retirement benefit?

Non-University members who join KTRS on or after July 1, 2008 will earn the following factors for years of service:

- 1.7% of final average salary if retiring with 1-10 years of service.
- 2.0% of final average salary if retiring with 10.01 to 20 years of service.
- 2.3% of final average salary if retiring with 20.01 to 26 years of service.
- 2.5% of final average salary if retiring with 26.01 to 30 years of service.
- 3.0% of final average salary **for** each year of service over 30 years.

University members who join KTRS on or after July 1, 2008 will earn the following factors for years of service:

- 1.5% of final average salary if retiring with 1-10 years of service.
- 1.7% of final average salary if retiring with 10.01-20 years of service.
- 1.85% of final average salary if retiring with 20.01 to 26.99 years of service.
- 2.0% of final average salary if retiring with 27 or more years of service.

Members who are Hired ON or AFTER July 1, 2008

3. If I am a university member who transfers from the optional retirement plan to KTRS on or after 7/1/2008, how do the Pension Reform changes apply to me?

Just as with the non-university participants in KTRS, if you do not have an active account established with KTRS prior to 7/1/2008, you will participate in KTRS under the new legislation. However, if you purchase as KTRS service credit your service with the university during which you participated in the ORP, and that service was rendered prior to 7/1/2008, you will be permitted to participate in KTRS under the pre-HB1 provisions. Generally, purchase of prior service by eligible university staff that transfer to KTRS is only possible within the first 6 years and 6 months of employment with a university. But there is a one-time opportunity for all university staff that otherwise meet the KTRS membership eligibility conditions and who elect to transfer to KTRS to purchase prior service rendered under the optional retirement plan as long as they do so by 12/31/2008. If you are contemplating transferring to KTRS, you should consider the advantages of purchasing sufficient ORP service to provide you with a KTRS account that will pre-date 7/1/2008 and doing so by the 12/31/2008 deadline if you already have more than 6 years and 6 months of employment with the university. Please contact a KTRS counselor for details.

4. If I have refunded my KTRS or KRS account that includes service credit earned prior to July 1, 2008, how will the Pension Reform changes apply to me?

Under this new legislation, you will participate for a minimum of one year in KTRS as a new member hired on or after July 1, 2008. At the end of that year you have the option, by statute, to reinstate your refunded account with interest. If you choose to reinstate your account, your employer will be notified to stop deducting the non-refundable additional one percentage point contribution to the Medical Insurance Fund as required by HB 1. If you have a refunded account with KRS, you will need to contact them at 800-928-4646 for the reinstatement procedures.

The tables below set forth retirement factors that will apply to both your service associated with your reinstated account and your service earned on or after July 1, 2008. The retirement factors and other provisions associated with HB 1 would no longer apply to your account.

Non-University KTRS Accounts with entry dates <u>prior</u> to 7/1/2002	Non-University KTRS Accounts with entry dates of 7/1/2002 to 6/30/2008
<ul style="list-style-type: none">• 2.0% of final average salary for years of service prior to 1983-1984• 2.5% of final average salary for years of service 1983-1984 forward• 3.0% of final average salary for all years over the 30th year of service <p>University KTRS Accounts with entry dates <u>prior</u> to 7/1/2002</p> <ul style="list-style-type: none">• 2.0% of final average salary for all years of service	<ul style="list-style-type: none">• 2.0% of final average salary for 1-9.99 years of service• 2.5% of final average salary for 10.0 or more years of service• 3.0% of final average salary for all years over the 30th year of service <p>University KTRS Accounts with entry dates <u>on or after</u> 7/1/2002 to 6/30/2008</p> <ul style="list-style-type: none">• 2.0% of final average salary for all years of service

Members who are Hired ON or AFTER July 1, 2008

5. What is the member contribution rate to KTRS for accounts opened on or after July 1, 2008?

Non-University members who join KTRS on or after July 1, 2008 contribute 9.855% plus an additional 1% (non-refundable) for the medical insurance fund for a total contribution of 10.855%. In addition, members who have refunded their accounts and retirees who return-to-work without waiving their retirement benefit on or after July 1, 2008 will fall under these new provisions.

University members who join KTRS on or after July 1, 2008 contribute 6.16% plus an additional 1% (non-refundable) for the medical insurance fund for a total contribution of 7.16%. In addition, members who have refunded their accounts or have not purchased service prior to 7/1/2008 under the optional retirement plan will fall under these new provisions.

6. When can I retire under the new provisions?

An individual with a KTRS membership date of July 1, 2008 or later, can retire at any age with 27 years of service or at age 60 with 5 years of service. If the member is at least 55 years of age, he/she must have 10 years of service in order to receive a retirement benefit. There will be a 6% reduction in the benefit for each year under age 60, or each year under 27- whichever is the lesser number. For example: A member who joins KTRS July 1, 2008 or later and retires at age 55 with 20 years of service can retire with a 30% reduction in the retirement benefit. (60 years of age – 55 years of age = 5 years x 6% = 30% reduction).). A member who joins KTRS July 1, 2008 or later and retires at age 57 with 26 years of service can retire with a 6% reduction in the retirement benefit (27 years of service – 26 years of service = 1 year x 6% = 6% reduction). Retirees who return-to-work and do not waive their retirement account on or after July 1, 2008 will also fall under these provisions. Retirees who return-to-work and do not waive their retirement account on or after July 1, 2008 will also fall under these provisions.

7. Is there a maximum number of unused sick days that can be used in calculating my retirement benefit?

An individual who begins employment with a local school district on or after July 1, 2008 may use no more than 300 unused sick days in the retirement calculation.

8. Will unused annual leave and/or compensatory leave lump sum payments be used in calculating my retirement benefit?

An individual with a KTRS membership date on or after July 1, 2008 will not be able to use the accumulated unused annual/compensatory leave payments in the KTRS retirement calculation.

Members who are Hired ON or AFTER July 1, 2008

9. Can Non-Qualified (Non-Standard) Service be purchased?

An individual who is a teacher employed by a local school board with a KTRS membership date on or after July 1, 2008 can purchase Non-Qualified Service of up to 10 months if the teacher has completed the prior school year with at least 26 years and 2 months of service but less than 27 years of service. By statute, other KTRS members hired on or after July 1, 2008 cannot purchase Non-Qualified Service.

10. Has the cost formula of a non-current leave of absence purchase changed?

An individual with a KTRS membership date on or after July 1, 2008 will purchase a non-current leave of absence at the full actuarial cost, which is the Non-Qualified Service formula. The documentation of the leave is still required (copy of board minutes, etc).

11. Is there a change in qualifying for Health Insurance coverage?

An individual with a KTRS membership date on or after July 1, 2008 must have at least 15 years or more of service to qualify for health insurance coverage.

Members who are Hired ON or AFTER July 1, 2008